

# BUSINESS REPORT

New jobs unlikely to help reduce poverty

By Renee Grawitzky

Even if South Africa is to create new jobs in the period leading up to 2015, this is unlikely to make a major dent in reducing poverty.

This emerged as the central policy question (aside from differences over the extent of poverty) during a debate on poverty and inequality at last week's Trade and Industrial Policy Strategies and the University of Cape Town Development Policy Research Unit (DPRU) conference.

This year, the conference (which has over the years provided an important platform for engagement between academic economists and policy makers) sought to tease out some critical debates around growth and the potential impact of programmes such as the accelerated and shared growth initiative in South Africa on reducing poverty and unemployment.

The conference highlighted the quandary that policy makers face. How will the poorest of the poor (or those who can possibly be classified as the social protection gap) ever benefit from the concept of shared wealth?

Economists across the board agreed that poverty has declined since 2000 largely because of the expanded social grant system.

In the last four years, government increased grant payments by R22 billion. Economists agreed that the existing grant system was unlikely to have any further impact on reducing poverty.

In the absence of an expansion of the social grant system, what is left for the poor? Job creation could be an alternative poverty alleviation strategy.

However, Stellenbosch University economist Servaas van der Berg argued that unemployment would probably decline between 2005 and 2015 but it was unlikely that this would impact on reducing poverty substantially.

Van der Berg, James Heintz and Robert Pollin of the University of Massachusetts-Amherst agreed that at the current levels of growth, unemployment and poverty were unlikely to be halved by 2015.

Pollin and Heintz argued that even if the growth rate averaged 4.5 percent a year, government would still not be able to reach its 2015 target in the absence of specific

targeted interventions.

Van der Berg said a critical question remained about whether jobs would migrate down the skills ladder and whether the unskilled could be brought into the modern economy. He argued that those likely to benefit from new jobs would be the more educated among the unemployed. Focus in the coming years should be on promoting education among the unemployed and dealing with the educational system.

The National Skills Fund is supposed to fund skills development among the vulnerable and those in the so-called second economy. There might be an argument that if skilled jobs were created faster than semi-skilled jobs then there could be a trickle down to the unskilled.

However, this would be cancelled out if semi-skilled jobs were created faster than skilled, University of Oxford doctorate student Alberto Behar argued.

In view of an increased focus on education and its relationship with the labour market, Dorrit Posel and Rosa Dias from the University of KwaZulu-Natal examined the relationship between education and employment. "If South Africa is confronted with a chronic skills shortage then we might anticipate education to have become an increasingly important predictor of employment," they said.

During the period between 1995 and 2003 they found that the workforce had become more educated; higher education had protected some against unemployment but the relative benefits of securing jobs increased mainly for those with matric or higher qualifications and among particular groups such as coloureds and Indians.

Overall, while the more educated were less likely to be unemployed than those with primary education, they were not totally insulated as reflected by the rise in graduate unemployment. Hence, one of the more pressing skills constraints is lack of work experience.

Posel and Dias concluded that while the skills bias of employment growth was modest, it should not overshadow other reasons for low employment growth. A DPRU paper on graduate unemployment by Kalie Pauw, Morne Oosthuizen and Carlene van der Westhuizen also revealed that matric alone did not guarantee a job anymore.

The paper sparked debate about skills development, is it about the quality or quantity of education? The paper argued that the lack of suitably qualified graduates for the jobs available was more likely to be a factor influencing graduate unemployment.

Some policy considerations raised included the need to look at shift towards "more appropriate education" and the need for a more focused intervention in schools.

What economists could not agree on was the extent to which the conditions of the poor have improved. Such disagreement centred around the relationship between the state and researchers, and the politicisation of statistics and how governments used research findings to suit their own agendas.

University of KwaZulu-Natal economist Charles Meth and UCT's Jeremy Seekings raised these issues. Meth argued that instead of grappling with the possibility of policy failure, governments misused data on economic activity to deflect criticism.

Meth argued: "Governments everywhere have powerful incentives to show that their policies work. They need to reassure the faithful, and rebut opposition claims of failure. When policies are working well, rebutting and reassuring should be relatively easy. When things are not going as well ... the task is not so simple."

The major question for policy makers and broader society is: Should South Africans focus on spending more on reducing poverty and less on private security to fight crime?

Heintz and Pollin and their colleagues, Gerald Epstein and Leonce Ndikumana, in a new book, *An Employment Targeted Economic Programme for South Africa*, explored interventions to reduce unemployment and poverty.

Apart from calls to lower interest rates and allow the deficit to rise to 3 percent, they proposed various financing options to expand the social grant system.

Another proposal, based on the model used in east Asia, called for the introduction of a heavily subsidised credit programme to finance labour-intensive projects.

They argued, along with UCT's economist Anna McCord, that the impact of expanded public works programmes (EPWP) was not sufficient to create the numbers of labour-intensive jobs required.

The Amherst team argued: "The EPWP is based on shifting existing levels of government expenditure commitments towards more labour-intensive methods rather than promoting labour-intensive activities within an overall programme of increased expenditures."

The conference showed that poverty was going to continue despite improved economic activity and Asgisa's roll-out.

The challenge for all is finding ways to cushion those remaining in poverty who will not benefit from "shared wealth".

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